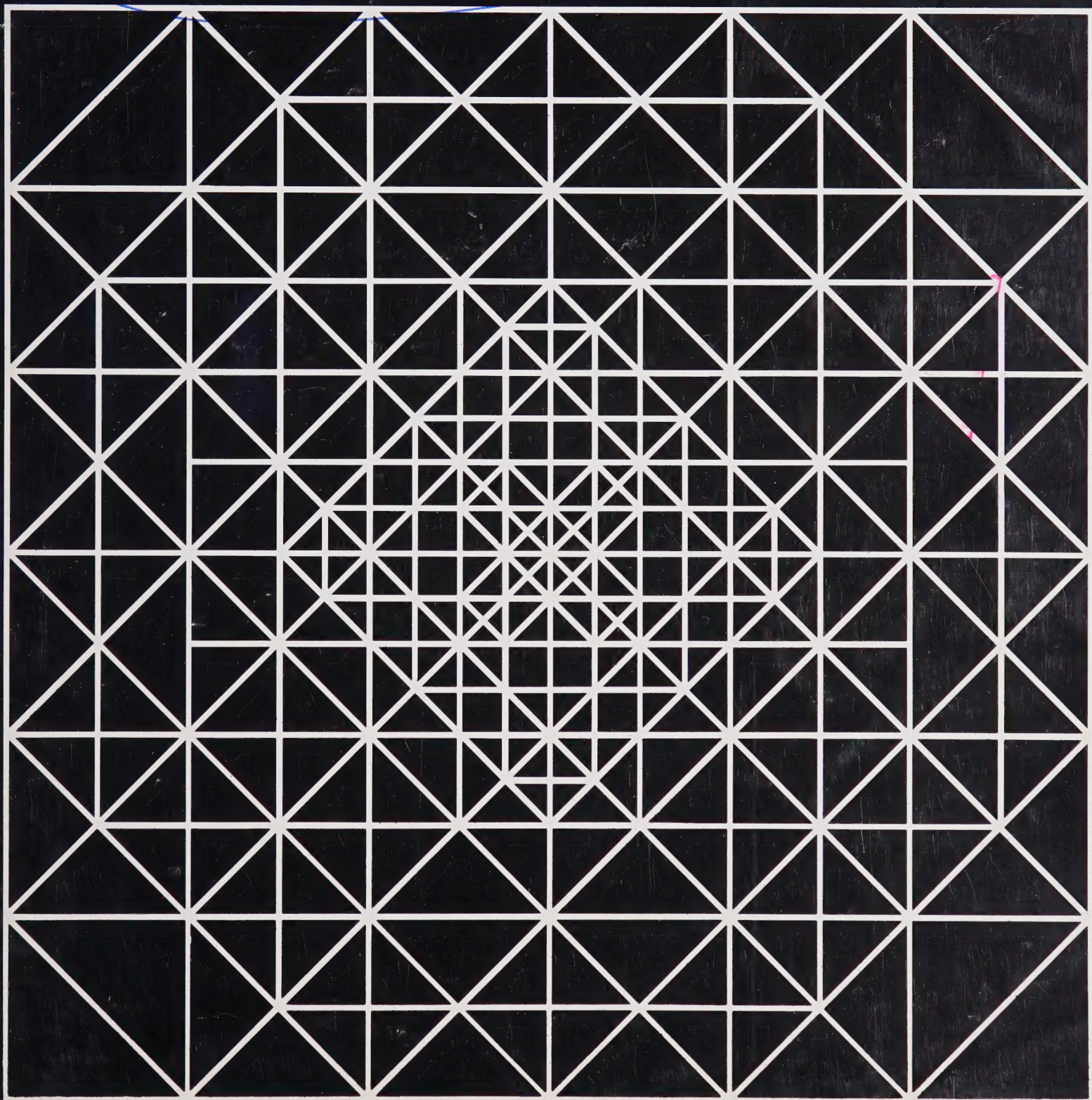


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# NIAGARA STRUCTURAL STEEL Annual Report 1975





## **NIAGARA STRUCTURAL STEEL COMPANY LIMITED AND SUBSIDIARY COMPANIES**

### **Head Office**

Smith & Petrie Streets, St. Catharines, Ontario.

### **Services**

Steel Fabrication, Niagara Structural Steel (St. Catharines) Limited,  
St. Catharines, Ontario.

Steel Erection, Niagara Structural Steel Company Limited,  
St. Catharines, Ontario.

Steel Service Centres: Niagarasteel, St. Catharines, Ontario.

Northern Steel (1972) Ltd., Sept-Iles, Quebec.

### **Directors**

B. A. Brown

V. E. Carr

M. E. Fedryna

M. J. Howe

R. A. Kennedy

H. W. Olch, Q.C.

H. P. Tomarin

### **Officers**

H. P. Tomarin, President

R. A. Kennedy, Executive Vice-President and General Manager

V. E. Carr, Vice-president

M. E. Fedryna, Vice-President

H. W. Olch, Q.C., Secretary

M. A. Zadorozny, R.I.A., Controller

### **Joint Auditors**

Ernst & Ernst, Toronto, Ontario.

David B. Fine & Company, Toronto, Ontario.

### **Solicitors**

Olch, Torgov & Cohen, Toronto, Ontario.

### **Registrar and Transfer Agent**

The Canada Trust Company, Toronto, Ontario.

First Preference Shares, Series "A" Listed: The Toronto Stock Exchange







# Report to the shareholder



Your Board of Directors are highly gratified to announce that continued escalation of sales and an improved profit profile contributed to make the fiscal year ended August 31, 1975, the most successful year in the history of Niagara Structural Steel.

## Year in Review

On a consolidated basis, fiscal 1975 yielded:  
Net profit of \$986,600 compared with \$915,000  
(re-stated) for fiscal 1974.  
Sales volume of \$20,137,000 compared with  
\$19,190,000 for fiscal 1974.  
Earnings per common share of \$1.94 compared with  
\$1.80 for fiscal 1974.

Cumulative dividends on first preference shares were brought to a current position by June 30, 1975, and regular quarterly dividends thereon have been declared and provided for to December 31, 1975.

In Niagara's determined drive toward modernization and optimum efficiency of plant and systems in fabrication, further impetus was derived from the acquisition of two highly advanced computerized detailing systems. These innovative systems should assure Niagara's continued inclusion among Canada's most efficient steel fabricators. It also appears at this time, that Niagara Structural Steel is the world's pioneer among steel fabricators to employ a computerized drafting system of this type.

Fiscal 1975 found our plant and erection facilities operating at peak capacity. Notable among the contracts with which we were particularly engaged were several structures and buildings for Steel Company of Canada Limited, expansion facility at Griffith Mines, the Seaway Mall at Welland for D.R. Crawford Construction Limited, and a number of Oven Pollution Control Structures at Hamilton, also for Steel Company of Canada Limited.

Two contracts were undertaken for Lummus Company of Canada Limited — the Bruce Heavy Water Plant at Douglas Point, Ontario and Project Petrosar at Sarnia.

## Steel Service Centres

In the area of warehouse operations it would seem that the era of shortages in most steel product lines has now passed. We are confident that our Niagara Steel Service Centres will retain a fair share of the market, by the application of our proven policy of service and reliability.

We are proud to announce that our Northern Steel facility in Sept Iles, Quebec, is operating from a new plant with completely modern facilities and will continue to serve industry in Northern Quebec with a complete and comprehensive supply of structural steel.



The steady level of activity in steel warehousing encourages management to predict a solid future for the steel service industry.

The Year Ahead

The universal anti-inflation measures currently in effect may lead to deferment of some public works and some projects in general industry. Niagara is fortunately buttressed by several long-term contracts, and enjoys a high degree of efficiency which should combine to cushion adverse industry conditions and enable Niagara to meet fabrication competition at all levels.

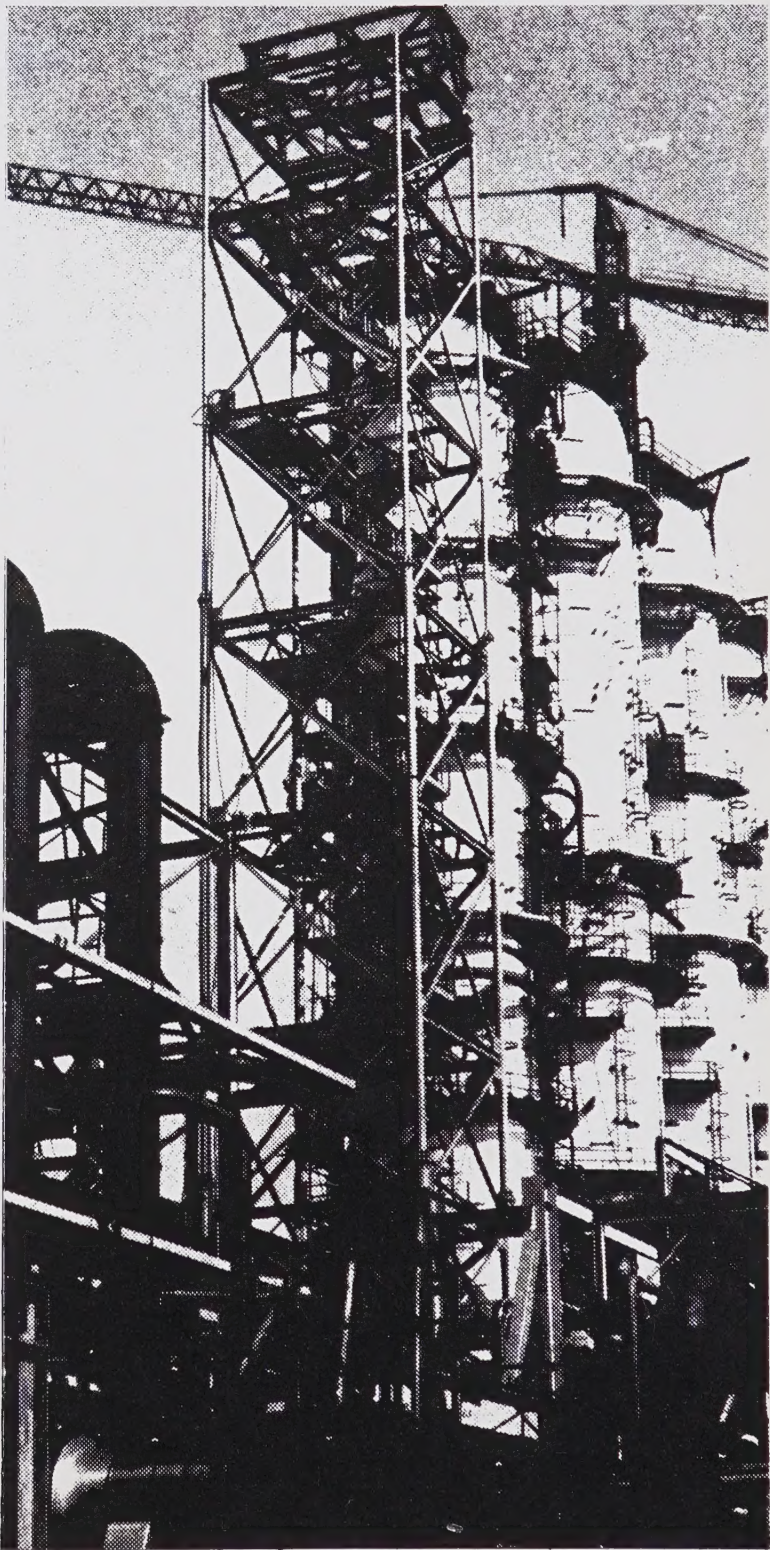
Appreciation

Niagara has once again delivered a record-breaking year. This accomplishment is in itself a tribute to management and staff and the Directors hereby add their gratitude for the dedicated efforts of all.

Respectfully submitted on behalf of the Board

*H. P. Tomarin*

H. P. Tomarin, President





# Financial Report

## ASSETS

	August 31,	
	1975	1974
<b>Current Assets</b>		
Cash	\$ 537	\$ 69,502
Accounts receivable less allowance for doubtful accounts of \$287,481 (1974 — \$195,359)	4,450,118	3,868,423
Unbilled contract revenues	409,272	482,699
Inventories of steel, work in process and sundry materials at the lower of cost or net realizable value	6,263,728	3,886,661
Current portion of agreement of sale (Note C)	9,083	8,703
Prepaid expenses	168,207	72,816
<b>Total Current Assets</b>	<b>11,300,945</b>	<b>8,388,804</b>
<b>Property, Plant and Equipment (Notes A and B)</b>	<b>3,701,807</b>	<b>2,864,412</b>
Less — accumulated depreciation	1,029,160	890,805
	<b>2,672,647</b>	<b>1,973,607</b>
<b>Other Assets</b>		
Agreement of sale, less current portion (Note C)	35,924	45,007
Incorporation and issue expenses less amortization (Note A)	24,000	28,000
	<b>59,924</b>	<b>73,007</b>
	<b>\$14,033,516</b>	<b>\$10,435,418</b>

### Auditor's Report to the Shareholders

Niagara Structural Steel Company Limited

We have examined the consolidated balance sheet of Niagara Structural Steel Company Limited and subsidiary companies as at August 31, 1975 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst and  
David B. Fine & Company  
Chartered Accountants  
Toronto, Ontario  
December 12, 1975

LIABILITIES AND SHAREHOLDERS' EQUITY

		August 31,	
		1975	1974
<b>Current Liabilities</b>			
Bank advances (Note D)		\$ 2,122,607	\$ 2,714,677
Accounts payable			
and accrued liabilities		2,639,882	2,735,847
Income taxes payable (Note E)		599,976	727,478
Deferred contract revenue		3,411,439	533,322
Current portion of term loan (Note D)		120,000	6,000
Loan payable		—0—	200,000
<b>Total Current Liabilities</b>		<b>8,893,904</b>	<b>6,917,324</b>
<b>Term Bank Loan (Notes D and H)</b>		<b>962,092</b>	<b>412,775</b>
<b>Deferred Income Taxes (Note E)</b>		<b>209,000</b>	<b>37,602</b>
		<b>10,064,996</b>	<b>7,367,701</b>

SHAREHOLDERS' EQUITY

Capital Stock Authorized (Note F):

48,529	First preference shares with a par value of \$30 each, issuable in series.
(1,750)	First preference shares, Series A purchased for cancellation out of purchase fund.
46,779	
1,000,000	Common shares without par value

Issued and fully paid:

1975	1974			
18,529	18,529	6½% cumulative, redeemable first preference shares, Series A with a par value of \$30 each, redeemable at \$31.50	555,870	555,870
(1,750)	(1,750)	First preference shares, Series A purchased for cancellation out of purchase fund	(52,500)	(52,500)
16,779	16,779		503,370	503,370
486,775	486,775	Common shares	1,041,637	1,041,637
Excess of net asset value of subsidiary over purchase price of shares at date of acquisition			193,897	193,897
Contributed surplus (Note F)			5,553	5,553
First preference shares, Series A purchase fund (Note F)			50,000	50,000
Retained earnings			2,174,063	1,273,260
			2,423,513	1,522,710
			<b>\$14,033,516</b>	<b>\$10,435,418</b>



**NIAGARA STRUCTURAL STEEL COMPANY LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

	<b>Year ended August 31,</b>	
	<b>1975</b>	<b>1974</b>
Net sales	\$20,137,207	\$19,190,019
Cost of sales and expenses	17,653,206	17,084,844
Income from operations before the undernoted items	2,484,001	2,105,175
Provision for depreciation	156,335	99,298
Remuneration of directors and senior officers	361,413	282,552
Interest on term bank loan	130,722	46,551
	648,470	428,401
<b>Income Before Income Taxes</b>	1,835,531	1,676,774
Provision for income taxes (Note E)	852,930	761,732
<b>Net Income</b>	<b>\$ 982,601</b>	<b>\$ 915,042</b>
Earnings per common share	\$ 1.94	\$ 1.80

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

Balance at beginning of year	\$ 1,273,260	\$ 375,524
Add: Net profit for year	982,601	915,042
	2,255,861	1,290,566
Deduct: Dividends on preference shares	81,798	16,359
Amount transferred to first preference shares, Series A purchase fund — (Note F)	—0—	947
	81,798	17,306
<b>Balance At End Of Year</b>	<b>\$ 2,174,063</b>	<b>\$ 1,273,260</b>



**NIAGARA STRUCTURAL STEEL COMPANY LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

	<b>Year ended August 31,</b>	
	<b>1975</b>	<b>1974</b>
<b>Source of Funds</b>		
Net income	\$ 982,601	\$ 915,042
Add items not requiring an outlay of working capital:		
Depreciation	156,335	99,298
Amortization of incorporation and issue expenses	4,000	4,000
Deferred income taxes	171,398	37,602
<b>Total from Operations</b>	<b>1,314,334</b>	<b>1,055,942</b>
Proceeds from disposals of plant and equipment	39,546	3,001
Current portion of agreement of sale	9,083	8,703
Increase in term loan	1,200,000	—0—
	<b>2,562,963</b>	<b>1,067,646</b>
<b>Use of Funds</b>		
Repayment of term loan	530,683	—0—
Current portion of term loan	120,000	—0—
Purchases of plant and equipment and improvement to buildings	894,921	678,201
Dividends on preference shares	81,798	16,359
	<b>1,627,402</b>	<b>694,560</b>
<b>Increase in Working Capital</b>	<b>\$ 935,561</b>	<b>\$ 373,086</b>
<b>Changes in Components of Working Capital</b>		
Increase (decrease) in current assets:		
Cash	(68,965)	38,318
Accounts receivable	581,695	1,562,876
Income taxes recoverable	—0—	(20,451)
Unbilled contract revenues	(73,427)	482,699
Inventories of steel, work in process and sundry materials	2,377,067	1,741,245
Current portion of agreement of sale	380	557
Prepaid expenses	95,391	(1,554)
<b>Increase in Current Assets</b>	<b>2,912,141</b>	<b>3,803,690</b>
Increase (decrease) in current liabilities:		
Bank advances	(592,070)	1,375,676
Accounts payable and accrued liabilities	(95,965)	775,639
Income taxes payable	(127,502)	703,999
Deferred contract revenue	2,878,117	441,290
Current portion of term loan	114,000	(66,000)
Loan payable	(200,000)	200,000
<b>Increase in Current Liabilities</b>	<b>1,976,580</b>	<b>3,430,604</b>
<b>Increase in Working Capital</b>	<b>\$ 935,561</b>	<b>\$ 373,086</b>



## NIAGARA STRUCTURAL STEEL COMPANY LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1975

#### NOTE A – Accounting Policies

##### Principles of Consolidation

The accompanying financial statements include the accounts of Niagara Structural Steel Company Limited and its subsidiary companies, all of which are wholly owned.

Niagara Structural Steel (St. Catharines) Limited  
Northern Steel (1972) Limited  
Northern Steel Co. Ltd.

All significant intercompany transactions have been eliminated on consolidation.

##### Basis of Accounting for Contract Profits

Profits from contracts are recorded based on the estimates of the percentage-of-completion method of accounting. Losses are provided for in full when known.

##### Property, Plant and Equipment

Property, plant and equipment owned by one of the company's subsidiaries, Niagara Structural Steel (St. Catharines) Limited, was appraised in 1962 at a depreciated value of \$1,439,547. The directors of that subsidiary company placed a value on these assets of \$1,428,697 and the excess of \$913,165 over depreciated net book value was recorded as part of the subsidiary's shareholders' equity.

Subsequent additions have been recorded at cost. All other property, plant and equipment has been stated at cost.

Major capital expenditures are capitalized while costs of maintenance and repairs are charged to operations as incurred.

In previous years gains and losses on disposals of property, plant and equipment were charged to retained earnings. These amounts are now credited or charged to operations as incurred.

Depreciation is provided on the straight-line method at rates previously determined by an independent firm of consulting engineers.

##### Incorporation and Issue Expenses

These costs are being amortized at the rate of \$4,000 per year.

##### Reclassification of Comparative Figures

Previously gains and losses on disposal of property, plant and equipment and the amortization of incorporation and issue expenses were recorded direct to retained earnings.

For the year ended August 31, 1975 these amounts have been recorded direct to operations and the prior year's comparative figures have been restated accordingly. Certain other amounts have been reclassified to conform with the current year's presentation.

#### NOTE B – Property, Plant and Equipment

	August 31,	
	1975	1974
Land and Land Improvements	\$ 263,032	\$ 263,032
Buildings	1,372,164	1,155,046
Machinery and Equipment	2,066,611	1,446,334
	<hr/>	<hr/>
	3,701,807	2,864,412
Allowances for Depreciation	1,029,160	890,805
	<hr/>	<hr/>
	\$ 2,672,647	\$ 1,973,607
	<hr/>	<hr/>

#### NOTE C – Agreement of Sale

This amount represents principal balance due on the sale of a building by a subsidiary in 1970 pursuant to an agreement of sale and is payable in monthly payments of \$1,000 each, including principal and interest at 6-5/8% per annum.

	1975	1974
Principal Balance	\$ 45,007	\$ 53,710
Less: Payments due within one year	9,083	8,703
	<hr/>	<hr/>
Long Term Portion	\$ 35,924	\$ 45,007
	<hr/>	<hr/>

#### NOTE D – Security for Bank Loans and Advances

Bank advances included with current liabilities are secured by accounts receivable and inventories and a demand debenture of \$1,250,000 consisting of a floating charge on all the assets of the company subject in priority to the debenture given to secure the term bank loan.

The term bank loan is repayable as to principal in monthly instalments of \$10,000 plus interest at a rate equal to 1½% per annum over the bank's prime lending rate from time to time. The principal balance then outstanding of the loan shall become due and payable in full on September 30, 1981. The term loan is secured by a demand debenture of \$2,500,000 constituting a first fixed and specific mortgage and charge on the property, plant and equipment and a floating charge on all other assets subject to the company giving security in priority to the debenture to its general banker.



#### **NOTE E – Income Taxes**

Income taxes have been provided on the income shown in the financial statements. Taxable income is determined on a different basis and gives rise to both current and long-term deferred income taxes:

- (a) Current deferred income taxes (included with income taxes payable) result from the use of a different method to record income from contracts for tax purposes.
- (b) Long-term deferred income taxes result primarily from claiming depreciation on plant and equipment for tax purposes in excess of amounts recorded in the accounts.

#### **NOTE F – Capital Stock**

##### **First Preference Shares Series A Purchase Fund and Contributed Surplus**

In accordance with the provisions attached to Series A First Preference Shares a purchase fund to the maximum amount of \$50,000 has been established for the purpose of acquiring Series A Preference Shares for cancellation.

No preference shares were purchased for cancellation during the year. To date 1,750 preference shares have been purchased at a cost of \$46,947 and cancelled. The difference of \$5,553 has been credited to contributed surplus.

##### **Stock Options**

The company has undertaken to grant certain officers and full time key employees, options to purchase a maximum of 45,000 common shares at \$3.00 per share. The options are exercisable within such periods as the directors may determine. At August 31, 1975 no options had been granted.

#### **NOTE G – Lease Commitments and Contingent Liabilities**

The company has annual commitments amounting to approximately \$124,000 for equipment rentals under leases of varying terms up to 5 years.

The Company is defendant in a lawsuit whereby a contractor is claiming \$48,000 under a construction contract for erection of a new building owned by a subsidiary company. Counsel is not in a position to assess the merits of the claim at this time.

#### **NOTE H – Subsequent Event**

Subsequent to August 31, 1975 the company increased its term bank loan by \$300,000. This loan at a rate of interest  $1\frac{1}{2}\%$  above the bank's prime lending rate is repayable in monthly payments of \$3,500 commencing March 31, 1976 to May 31, 1982 and balance becomes due and payable June 30, 1982.





